

Message Text

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INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-01

PA-01 PRS-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 INT-05

DODE-00 PM-04 /095 W

-----201811Z 028482 /53

R 201722Z APR 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1960

INFO ALL EC CAPITALS

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E.O. 11652: N/A

TAGS: ETRD, EIND, FR, EEC

SUBJECT: GOVERNMENT STATEMENT ON STEEL INDUSTRY

REF: (A) PARIS 05714; (B) PARIS 10660

1. SUMMARY: OPENING NATIONAL ASSEMBLY DEBATE ON STEEL SITUATION, PM BARRE REITERATED GOF INTENTION TO HELP FINANCE STEEL INDUSTRY PROGRAM TO STREAMLINE PRODUCTION CAPACITY AND MAINTAIN COMPETITIVENESS OF FRENCH STEEL DURING ITS WORST ECONOMIC CRISIS IN TWENTY YEARS. HOWEVER, PM FAILED TO ELABORATE OUTLINE MUCH BEYOND HIS INITIAL STATEMENT ON PLAN ACIER, MADE IN FEBRUARY BEFORE MUNICIPAL ELECTIONS. END SUMMARY.

2. ON APRIL 19, PM BARRE OPENED NATIONAL ASSEMBLY DEBATE ON TROUBLED FRENCH STEEL SECTOR. GOF HAD PICKED THIS DATE FOR ELABORATION OF PLAN ACIER SEVERAL WEEKS AGO WHEN IT CAME UNDER INTENSE CRITICISM FROM UNIONS, POLITICAL LEFT, PRESS, AND FINALLY ASSEMBLY

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MEMBERS FOR FAILURE TO ADDRESS ECONOMIC AND EMPLOYMENT DIFFICULTIES IN STEEL SECTOR. IN SPEAKING OUT NOW, PM MET, THOUGH NOT SUBSTANTIVELY, TIMETABLE HE SUGGESTED IN FEBRUARY WHEN HE ANNOUNCED CONCEPTUAL FRAMEWORK FOR PLAN ACIER, SEVERAL WEEKS BEFORE FRENCH MUNICIPAL ELECTIONS. REFTL (A)

3. BARRE STATEMENT FELL SHORT OF MOVING BEYOND REITERATION OF GOF INTENTION TO ASSIST STEEL INDUSTRY WITH CONDITIONAL LOANS AND GENERAL ENDORSEMENT OF INDUSTRY VIEW THAT EMPLOYMENT AND CAPACITY CUTBACKS DURING NEXT THREE YEARS WILL BE ESSENTIAL TO ASSURE COMPETITIVENESS OF FRENCH STEEL INDUSTRY PRODUCTION LEVEL OF 33 MILLION TONS PER YEAR. BARRE FAILED TO RESOLVE MOST OF UNSETTLED ASPECTS OF PLAN ACIER OUTLINED IN FEBRUARY : (1) WHICH PLANTS WILL BE CLOSED; (2) HOW MANY WORKERS WILL BE AFFECTED; (3) HOW MUCH MONEY IT WILL COST; (4) HOW COST BURDEN WILL BE DISTRIBUTED BETWEEN GOVERNMENT AND INDUSTRY; AND (5) HOW RESTRUCTURING AND REGROUPING OF INDUSTRY WILL BE ORCHESTRATED.

4. TO COUNTER CRITICISM THAT GOF EMBARKING ON POLICY OF FINANCING UNEMPLOYMENT, BARRE AND MINISTER OF LABOR BEULLAC (DURING COURSE OF DEBATE THAT LASTED UNTIL MIDNIGHT) UNDERLINED THAT SOCIAL AND FINANCIAL ASPECTS OF PLAN ACIER ARE INTERTWINED AND THAT GOF WOULD NOT AUTHORIZE COLLECTIVE LAYOFFS UNTIL AFTER STEEL INDUSTRY SHOWS BEST EFFORTS IN MINIMIZING UNEMPLOYMENT IMPACT OF SECTORAL RESTRUCTURING BY MEANS OF WORKER RECONVERSION PROGRAMS AND STEEL INDUSTRY INVESTMENT IN DOWNSTREAM FABRICATION (PRESUMABLY IN REGIONS MOST AFFECTED BY RAW STEEL CAPACITY CUTBACKS). BARRE ESTIMATED THAT THREE OF EVERY FOUR JOBS SUPPRESSED DURING NEXT THREE YEARS COULD BE MET BY NORMAL ATTRITION AND EARLY RETIREMENT OF WORKERS.

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ACTION EUR-12

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PA-01 PRS-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 INT-05

DODE-00 PM-04 /095 W

-----201810Z 028435 /53

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WORKER RECONVERSION AND DISPLACEMENT OF FOREIGN WORKERS COULD FURTHER AMELIORATE UNEMPLOYMENT IMPACT (THOUGH BEULLAC STRESSED THAT GOF FINANCIAL ASSISTANCE PROGRAM FOR FOREIGN WORKERS TO RETURN TO THEIR HOMELANDS WOULD BE FOR ONLY THOSE WILLING TO LEAVE FRANCE).

5. ONLY NEW ELEMENT ADDED BY BARRE WAS DISCLOSURE THAT GOF HAS APPROACHED RENAULT (STATE-OWNED) AND PEUGEOT-CITROEN TO LOCATE NEW EXPANSION IN LORRAINE AREA, THE MOST SERIOUSLY AFFECTED BY STEEL INDUSTRY CUTBACK PROPOSALS.

6. UNION AND POLITICAL LEFT REACTION TO BARRE STATEMENT WAS HARSH. IF GOVERNMENT REALLY WANTS TO ASSURE THAT NEW ROUND OF GOVERNMENT LOANS IS WISELY USED, COMMUNIST UNION CGT SAYS THERE IS NATIONALIZATION ALTERNATIVE. MOREOVER, FRENCH STEEL INDUSTRY SPOKESMAN HAS CONFIDENTIALLY INDICATED TO US THAT INDUSTRY IS LIMITED OFFICIAL USE

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MIFFED SO FAR WITH CAT-AND-MOUSE RESPONSE OF GOVERNMENT TO STEEL INDUSTRY PROPOSALS FOR RATIONALISING PRODUCTION AND EMPLOYMENT. BARRE STATEMENT LEAVES THE MONKEY STILL FIRMLY ANCHORED TO INDUSTRY'S BACK.
HARLAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, FINANCE, INDUSTRY, STEELS
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS11627
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770137-0547
Format: TEL
From: PARIS
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770438/aaaabgkr.tel
Line Count: 159
Litigation Code IDs:
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Litigation History:
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Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 PARIS 5714, 77 PARIS 10660
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2748346
Secure: OPEN
Status: NATIVE
Subject: GOVERNMENT STATEMENT ON STEEL INDUSTRY
TAGS: ETRD, EIND, FR, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/0e13b1a1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009